



Dear Representative/Senator:

On behalf of the state officials who charter and regulate state chartered banks, we are writing to express our strong opposition to Farm Credit Council proposals to rewrite the Farm Credit Act, which have become known as the “Horizons Project.” We are concerned with the impact these proposals will have on the banking system and community banks in particular. The proposals threaten to erode the community banking system, which drives economic development in farm communities across the country.

The Council’s expansion agenda includes financing for large corporations, home mortgage lending in wealthy metropolitan suburbs, and dilution of farmer ownership of cooperatives through a dismantling of stock ownership rules. The Farm Credit System (FCS) is a tax advantaged, direct retail lending Government Sponsored Enterprise (GSE) that was chartered by Congress to provide credit to farmers, ranchers, farmer owned businesses, and rural home owners. As a GSE, the FCS was granted special powers and privileges, including tax advantages, preferential long term borrowing authority in the government debt market, and the backing of the American taxpayer.

We firmly believe expanding the FCS charter will create safety and soundness issues by harming FDIC-insured institutions. FCS is a unique Government Sponsored Enterprise that can lend directly to consumers and businesses while enjoying significant funding and tax advantages. Government subsidized entities should be created to fill economic gaps, not compete with or undermine private enterprise. If banks have to compete against government subsidized FCS institutions for general commercial loans and mortgages, in addition to agricultural loans, some community banks will be unable to compete, leading to further consolidation in the community banking sector and causing irreparable harm to local economic development.

The FCS proposals would have a long-term impact on the banking system, which has proven to be vital to our national economic success. We believe this necessitates coordination of these proposals with the House Financial Services Committee and the Senate Banking Committee.

Thank you for your consideration of our views. We look forward to the opportunity to work with you on these issues.

Best Regards,

Neil Milner
President and CEO

CONFERENCE OF STATE BANK SUPERVISORS

1155 Connecticut Ave., NW, 5th Floor • Washington DC 20036-4306 • (202) 296-2840 • Fax: (202) 296-1928